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The 12th sanctions package against; Evaluation of the possible impacts of the economy of Azerbaijan

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Abstract

This article analyzes the 12th package of sanctions adopted by the European Union against Russia and its possible impacts on Russian-Azerbaijani economic relations. The importance of the research is that Russia is one of Azerbaijan's main partners in trade relations, and in terms of exports of non-oil sector products, Russia is Azerbaijan's main partner. So far, 11 sanctions packages have been applied against Russia, and the 12th package has already been adopted. As in the 11th package, the list of entities operating in the 3rd country and indirectly contributing to Russia's evasion of sanctions is further expanded and the trade of a number of products is further restricted. The main point of the 12th package is the introduction of restrictions that prevent the diamond trade. So, diamonds produced in Russia make up 31% of global diamond production, and this production brings Russia 4 billion dollars in annual income. Belgium has a 40% share in Russia's diamond exports, and with the imposition of sanctions, Russia may be deprived of significant income. In addition to diamond exports, a number of products are added to the sanctions list and one more country is added to the list of countries that restrict the import of a number of specific products. Traditionally, individuals, legal entities and a number of institutions (mainly of Russian origin operating in the 3rd country) are added to the sanctions package. The statistical indicators of trade relations between Azerbaijan and Russia continue with an increasing trend, and in the first 11 months of 2023, a record level of the independence period was recorded in the volume of inter-country trade turnover. In conclusion, considering the commodity category of trade relations between Azerbaijan and Russia, the package of sanctions is not expected to affect the course of inter-country trade relations.

Introduction

Since the beginning of the conflict between Russia and Ukraine, 11 sanctions packages have already been applied and the 12th sanctions package has been approved. Within the recently applied 11th package of sanctions, the main content was to take measures against entities from countries that directly and indirectly contributed to Russia's evasion of the 10 sanctions applied and to prevent this situation. In this context, within the framework of the 11th sanctions package, sanctions were imposed against companies from 3rd countries that indirectly contributed to Russia's evasion of sanctions. As part of this sanctions package, 87 entities, 100 individuals were added to the list and a number of restrictions were imposed on media, energy trade and transport. (EuropeanCommission, 2023).

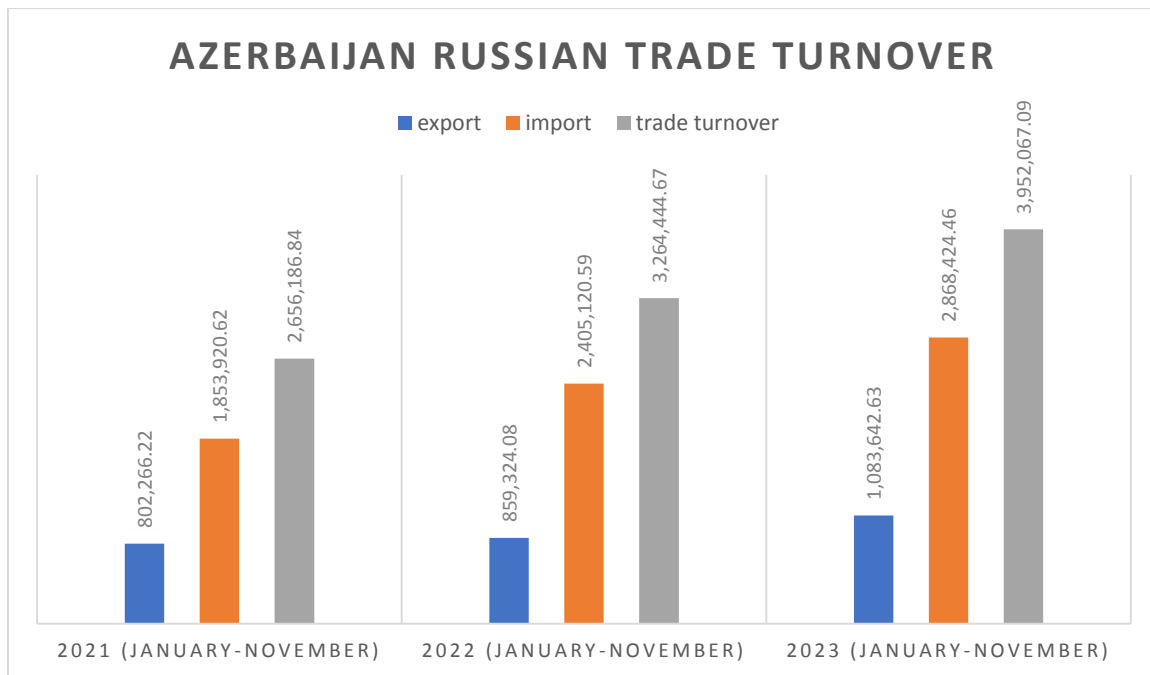
The European Union and its partners also introduced the 12th package of sanctions aimed at influencing the course of the war against Russia. In the context of the 12th package of sanctions, the following prohibitions are envisaged:

- Partner countries impose a ban on the direct and indirect import of diamonds from Russia.
- In addition to the diamond import restriction, there are restrictions on the import of products such as chemicals, lithium batteries, thermostats, DC motors and servo motors for unmanned aerial vehicles (UAVs), machine tools and machinery parts.
- Within the 11th package of sanctions, 29 more institutions are added to the list of institutions operating in Russia and on the territory of the 3rd country, and companies registered in Singapore and Uzbekistan are also included in this list.
- It is prohibited to provide software to companies of Russian origin in the field of Information Communication Technologies.
- New restrictions are imposed, especially for LPG imports (with a 12-month transition period). Stricter certification requirements are imposed to influence the pace of oil sales between 3rd countries and Russia.
- 140 individuals and legal entities are added to the list of sanctions.
- The EU imposed a ban on the import of cast iron, spiegel, copper wires, aluminum wires, foil and various types of pipes to Russia, with a total annual income of 2.2 billion euros.
- Switzerland was added to the list of countries subject to restrictions on the import of steel and iron from Russia (EU, 2023).

Impact of sanctions on Russian-Azerbaijani economic relations

The fact that Russia is one of the main economic partners of Azerbaijan, in the background of each package of sanctions applied against Russia, the issue of the impact of sanctions on the economic relations between the countries becomes relevant. Since the first period of the war, 11 sanctions packages have been applied against Russia and the 12th package has been adopted by the EU. Figure 1 shows the statistical indicators of Azerbaijan's exports to Russia, imports from Russia, and international trade turnover in January-November 2021, 2022, and 2023.

Chart 1. Azerbaijan's exports to Russia, imports from Russia and trade turnover (thousand dollars, January-November 2021-2023)



Source: The State Customs Committee of the Republic of Azerbaijan, Certificate On The State Of Foreign Trade. (2021-2023, january-november).

The value of products and services exported by Azerbaijan to Russia in January-November 2022 increased by 7.1% (\$57,057.86 thousand), the value of imported products and services increased by 29.7% (\$551,199.97 thousand), and the volume of trade turnover increased by 22.9% (\$608,257.83 thousand). In the period from January to November 2023, the value of products and services exported by Azerbaijan to Russia increased by 26.1% (\$224,318.55 thousand) compared to the same period last year and exceeded the billion dollar level, and according to these statistics, Russia's share in Azerbaijan's total exports increased from 6.6% to 8.4%. Although Russia is the 5th main export partner of Azerbaijan, Russia is the main trade partner of Azerbaijan in non-oil sector exports. Thus, in the first 11 months of 2022, 79.9% (\$687 million) of Azerbaijan's exports to Russia, and 81.3% (\$881.4 million) in the same period of 2023, were non-oil sector products (ereforms, 2023). This means a 22.1% increase in non-oil sector exports in the same period of 2023 compared to January-November 2022. The value of products and services imported by Azerbaijan from Russia increased by 19.3% (\$463,303.87 thousand) between January and November 2023 compared to the same period last year, and with this statistical indicator, Russia became Azerbaijan's main import partner. In the first 11 months of 2023, the volume of inter-country trade turnover increased by 21.1% (\$687,622.42 thousand) compared to the same period of last year and recorded a record level during the period of independence. With this statistical indicator, the share of Russia in the total trade turnover of Azerbaijan increased from 6.6% to 8.4%, and Russia maintained its position as the 3rd main trade partner of Azerbaijan (SEC, 2023). As can be seen from the statistics, despite the imposition of sanctions against Russia, Azerbaijan-Russia trade relations continue at an increasing rate of development, and if the growth rate of

statistical indicators does not change, it is not unusual for the trade turnover to exceed 4 billion dollars at the end of the year. Despite the introduction of 11 sanctions packages against Russia and the adoption of the 12th package, the commodity structure of the trade between Azerbaijan and Russia does not create an obstacle to the growth of trade relations. The main products exported from Azerbaijan to Russia are fruits, vegetables and plastic products, and the main products imported from Russia are mineral fuels, oils, distilled products, cereals, wood and other wood products (tradingeconomics, 2023). In the 12th package of sanctions, the main prohibition applies to trade restrictions on diamonds and products that can be used for military purposes. Considering the content of the sanctions package and the commodity structure of Azerbaijan-Russia trade relations, it is not expected that the sanctions will seriously affect the trade relations between the countries.

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